PARTNERSHIP FOR
OPEN & FAIR SKIES
A LEVEL PLAYING FIELD FOR ALL

Subsidies and Other Unfair Benefits Received by Gulf Carriers Threaten U.S. Aviation Jobs, the Industry and our Economy

Beginning in 1992 with the negotiation of the very first Open Skies agreement, the United States has explicitly and rigorously insisted that in exchange for granting foreign airlines the freedom to fly to and from the United States, Open Skies partners ensure a level, competitive playing field. Anticipating that circumstances could change, the United States and its Open Skies partners have also agreed that every Open Skies agreement has a provision for consultations to address problems relating to the agreements and to agree in good faith on measures to resolve them.

Evidence gathered during a global, two-year long investigation reveals that two countries with Open Skies agreements, Qatar and the UAE, have been providing massive subsidies and other extraordinary benefits to their state-owned airlines that have already caused a substantial distortion of international markets. If unchecked, these practices could threaten the airline industry, aviation jobs, and communities throughout the United States.

The Playing Field Isn't Level

Because these Gulf carriers are highly subsidized, they have grown at an astounding rate, expanding their global presence without concern for financial returns.

- Over the past decade, the governments of Qatar and the UAE have granted <u>$42 billion in subsidies and other unfair benefits</u> to their state-owned carriers.
- These Gulf carriers aren't subject to corporate income taxes or fuel taxes and are exempt from costly requirements imposed on their foreign competitors, allowing the carriers to avoid paying their own way.
- The governments of Qatar and the UAE have banned unions and suppress the rights of their employees, saving their carriers billions of dollars from below-market labor costs.

Specific Subsidies

- Over $12 billion in Interest Free Loans & Shareholder Advances
- Over $11 billion in Equity Infusions, Grants, & Future Committed Subsidies
- Almost $9 billion in Interest Savings from Government Loan Guarantees & Interest Free Loans
- Over $2 billion in Government Assumption of Fuel Hedging Losses
- Over $2 billion in Subsidized Airport Charges
- Almost $2 billion in Passenger Fee Exemptions, Rebates and other Miscellaneous Subsidies

How This Hurts U.S. Carriers and Impacts American Jobs

The massive subsides for state-owned Gulf carriers undermine fair competition, provides a substantial cost advantage over U.S. and other non-Gulf competitors, and violates Open Skies. Even a small cost advantage can result in a significant shift in market share to the Gulf carriers' advantage and substantial losses for their unsubsidized competitors. Ultimately, the distortion caused by unfair competition is not in the best interests of the aviation industry, or consumers.

Every round trip route lost or forgone by a U.S. carrier because of subsidized Gulf carrier competition results in a net loss of over 800 U.S. jobs.

The Solution

We urge the U.S. government to request consultations about Gulf airline subsidization, through the existing Open Skies agreements, to ensure fair and equal competition. The U.S. government should also freeze the introduction of new passenger service by the Gulf carriers during these consultations.

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